



*Expires – Upon Issuance of LPP*

## LOCAL AGENCY INVOICE REVIEW

### I. BACKGROUND

Under the FHWA/Caltrans Joint Stewardship and Oversight Agreement, Caltrans accepts responsibility for administering federally funded transportation projects on and off the State Highway System (SHS). The Caltrans Division of Local Assistance (DLA) is responsible for oversight of projects off the SHS (Local Assistance Program) including compliance with Federal and State laws, regulations, policies and procedures related to the implementation of these local transportation projects.

During the mid 1990s, the State Budget resulted in Caltrans staff reductions and a change in the way Caltrans provides oversight of local transportation projects. The project development and implementation procedures for the Local Assistance Program (LAP) were “reengineered” to delegate many of Caltrans’ Federal-aid responsibilities to the local agencies. Local agencies are required to certify compliance with Federal, State and DLA requirements. Caltrans DLA provides implementation and procedural guidance on Federal, State and DLA requirements for Federal and State funded local transportation projects. This guidance is communicated via Local Assistance manuals, Local Programs Procedures (LPPs), DLA Office Bulletins, other publications and the DLA web site (at [www.dot.ca.gov/hq/LocalPrograms/](http://www.dot.ca.gov/hq/LocalPrograms/)).

The current LAP project implementation procedures require local agencies to submit their progress invoices directly to the Local Programs Accounting (LPA) Branch of the Division of Accounting for review and payment.

Recent process reviews of the LAP conducted by FHWA, Caltrans and local agency staffs have identified the need for additional Caltrans construction oversight, including District review and approval of local agency progress invoices prior to payment. In addition, FHWA has recently issued Federal-aid Ineligibility Notifications (FINS) resulting in loss of Federal funds on local agency projects.

This DLA Office Bulletin provides policy and procedural guidance for the review of local agency invoices by the Caltrans District Local Assistance Engineer (DLAE).

### II. POLICY

Federal regulations hold the State Transportation Department (Caltrans) accountable for all projects funded with Federal-aid funds including those projects within local agency jurisdictions.

To address FHWA concerns and improve Caltrans oversight of the LAP, **effective September 1, 2009**, local agency project sponsors must submit ALL progress invoices (PE, RW, CON) and support (backup) documentation (adequate to verify costs invoiced) directly to the DLAEs for review and approval prior to payment.

Following District review and approval, invoice packages will be forwarded to LPA. The Disadvantaged Business Enterprise (DBE) information will be forwarded to DLA for review and concurrence. Upon DLA and LPA concurrence, LPA will transmit the invoice to the State Controllers Office (SCO) for payment.



The following roles and responsibilities are implemented with this Office Bulletin:

Local Agency

- Ensure work is performed, progress estimates are made and timely payments are made to the consultant/contractor
- Ensure DBE information is submitted to DLAE
- Ensure a complete copy of the contract award package is submitted to the DLAE
- Ensure progress and final invoices (with supporting documentation) are accurately prepared and submitted to the DLAE in a timely manner

District Local Assistance Engineer

- Ensure work is performed, eligible for reimbursement, and appropriate costs are billed.
- Ensure DBE information is forwarded to DLA DBE Coordinator
- Ensure local agency contract award package complies with Federal, State and DLA requirements

Local Programs Accounting

- Ensure invoices and support documentation comply with invoice format, indirect cost rate approval, and other accounting requirements [see Chapter 5 of the Local Assistance Procedures Manual (LAPM)]
- Ensure timely payment of compliant local agency invoices
- Provide reports to monitor contract costs and expenditures

Headquarters Division of Local Assistance

- Assess the effectiveness of the invoice review procedures implemented by this Office Bulletin
- Monitor performance of DLA resources and establish performance measures for payment of local agency invoices
- Ensure complete DBE commitment and utilization information is entered into Local Assistance Project Database (LP2000), and compiled and reported as necessary.

### **III. PROCEDURES**

Local Agency

- Perform work, prepare progress estimates and make payments to the contractor
- Prepare timely and accurate progress invoices, submit support documentation and certify the accuracy of invoice package
- Submit “original and two copies” of invoice (progress/final) and two copies of support documentation to the DLAE
- Submit Exhibit 15-G2 “Local Agency Bidder DBE Information (Construction Contracts) to the DLAE within 15 days of contract execution. Failure to submit Exhibit 15-G2 to the DLAE may result in the deobligation of funds for project.



- Submit a copy of the contract Award Package (refer to Chapter 15 “Advertise and Award Project” of the LAPM for federally funded projects and Chapter 23 “Local Agency STIP Projects” of the Local Assistance Program Guidelines for State funded projects) to the DLAE within 60 days of contract award or with submittal of first construction invoice, whichever is earlier. Failure to submit the Award Package will delay the payment of the first construction invoice.
- Verify that completed work is consistent with the total Federal/State funds invoiced (see DLA-OB 09-05 Attachment 2 “Bid Summary / Cost to Date Form” for a sample document)
- Submit an invoice a minimum of every 6 months (and no more than monthly) per the terms of the Federal and State-Aid Master Agreements and Program Supplemental Agreement.
- Process final invoices in accordance with the procedures specified in Chapter 17 “Project Completion” of the LAPM.
- Caltrans encourages local agencies to take advantage of the Electronic Fund Transfer (EFT) option by which the SCO will transfer State funds into a State-controlled bank and then directly into the local agency’s designated banking account (see Chapter 5 of LAPM). The EFT process can reduce the processing time at the SCO from fourteen (14) days to four (4) days.

#### District Local Assistance Engineer

- Immediately upon receipt of the local agency invoice and support documentation, “date-stamp” and electronically transmit a copy of the invoice to the “Local Programs Accounting” Lotus Notes Account.
- Update the LP2000 Invoice Review milestone screen for “Date Invoice Received”
- For consultant service contracts, validate consultant selection process and agreement
- Assess quality of local agency invoice package and work with local agencies to correct deficiencies, if necessary
- Review invoice and support documentation for eligibility of work performed and costs billed.
  - If no deficiencies are found, the DLAE shall complete and sign the DLA-OB 09-05 - Attachment 1, “Invoice Review Checklist” approving the invoice for payment. The checklist shall identify the name and phone number of the District contact person.
  - If deficiencies are found, the DLAE shall contact the Local Agency to discuss/address the deficiencies.
    - \* If the DLAE determines the deficiencies are minor in nature and can be quickly resolved, every attempt shall be made to resolve the invoice deficiency without returning the invoice package to the Local Agency for resubmittal.
    - \* If the DLAE determines the deficiencies are significant in nature such that the Local Agency invoice cannot be paid, the DLAE will return the invoice and support documentation to the local agency (within 15 calendar days) for correction and resubmittal. The revised / corrected local agency invoice package shall be “redate-stamped” upon resubmittal to the DLAE.
    - \* A “Dispute Notification Letter” shall accompany invoices returned to the local agency identifying the reason(s)/deficiency(ies) for dispute. A copy of the Dispute Notification Letter should be sent to the appropriate accountant in LPA so that the dispute reason can be logged into LPAMS and the LAPS web site updated accordingly.
- Upon DLAE approval of the local agency invoice for payment, the original invoice (plus one copy) and a copy of the support documentation shall be forwarded to LPA within 15 calendar days of Caltrans receipt of the invoice package along with a signed “Invoice Review Checklist” (DLA-OB 09-05 Attachment 1).



- Update the LP2000 Invoice Review milestone screen for “Date Returned to Agency” and “Date Forwarded to Accounting”.

For construction invoices,

- Immediately upon receipt of Exhibit 15-G2 “Local Agency Bidder DBE Information (Construction Contracts)” of the LAPM from the local agency, forward an electronic copy to:

California State Department of Transportation  
Division of Local Assistance  
Office of Policy Development and Quality Assurance  
Attention: DBE Coordinator  
1120 N Street – Mail Stop 1  
Sacramento, CA 95814

- Upon receipt of the contract Award Package (see Section 15.7 “Award Package”, LAPM) review award package for completeness and concurrence and then forward copy of Award Package to:

California State Department of Transportation  
Division of Local Assistance  
Office of Project Implementation  
1120 N Street – Mail Stop 1  
Sacramento, CA 95814

- Forward copies of Exhibit 15-L “Local Agency Contract Award Checklist” to both the DLA DBE Coordinator and LPA and update contract award milestone information the LP2000 database.

#### Headquarters Division of Local Assistance

- Review Exhibit 15-G2 “Local Agency Low Bidder DBE Information”, Exhibit 15-L “Local Agency Contract Award Checklist” and Exhibit 17-F “Final Report Utilization of Disadvantaged Businesses” of the LAPM submitted by the Districts for completeness and concurrence
- Enter the DBE data into LP2000 and compile and report DBE commitment and utilization information to FHWA
- Notify LPA of “concurrence to pay” (first consultant service and construction contract invoices) upon verification of acceptable documents

#### Local Programs Accounting

- Upon receipt of a copy of the “date-stamped” project invoice, enter the invoice information into the Caltrans Invoice Control System. Local agencies can monitor the status of their invoices by viewing the data at [www.dot.ca.gov/hq/asc/](http://www.dot.ca.gov/hq/asc/) and selecting the “Local Assistance Payment System” (LAPS) option.
- Update the LPA received date in the Caltrans Invoice Control System upon LPA receipt of the invoice package from the DLAE



- Review DLAE approved invoice package for compliance with invoice format, reimbursement rates, approved indirect cost rate(s), retention amounts and other accounting requirements (see Chapter 5 of the LAPM).
- Concur with DLAE and DLA (first consultant service and construction contract invoices) approval or deny local agency invoice for payment:
  - If LPA concurs with approval for payment, LPA shall forward original invoice to SCO, within 15 calendar days, for payment.
  - If LPA does not concur, LPA shall notify the District and contact the local agency. If the concern cannot be resolved, LPA shall inform the District and dispute the invoice by sending a "Dispute Notification Letter" to the local agency.

#### IV. APPLICABILITY and IMPACTS

DLAE review of project invoices will improve Caltrans oversight of the Local Assistance Program by ensuring the costs billed are eligible for reimbursement. It is hoped that billing problems can be identified earlier and corrective actions taken resulting in less FINS and loss of Federal funds and State funds on local agency projects.

Approved: William J. Sandoval August 17, 2009  
Bill Sandoval, Office Chief  
Office of Project Implementation - North  
Date

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#### Attachments:

- 1) DLA-OB 09-05 Attachment 1 – Invoice Review Checklist
- 2) DLA-OB 09-05 Attachment 2 – Bid Summary / Cost to Date Form